

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6157

BILL NUMBER: SB 178

NOTE PREPARED: Jan 22, 2004

BILL AMENDED:

SUBJECT: Standard for CCDF Provider Eligibility.

FIRST AUTHOR: Sen. Lawson C

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill requires child care providers to be licensed after June 30, 2006, in order to be eligible for Child Care and Development Fund (CCDF) participation. The bill requires the Division of Family and Children to adopt rules to implement the licensure requirement. (The introduced version of this bill was prepared by the Board for the Coordination of Child Care Regulation.)

Effective Date: July 1, 2004; January 1, 2005.

Summary of Net State Impact: (Revised) Currently, 2,953 child care providers receiving CCDF vouchers are either not certified or licensed. The Family and Social Services Administration (FSSA) spends approximately \$490 annually to license a child care provider. Based on these numbers, a high-end estimate for licensing the 2,953 providers is \$1.4 M annually. Expenditures for licensing are fully funded through the federal quality dollars. Thus, the state would experience no increase in expenditures.

Registration Fees: Child care ministries are required to pay a \$50 registration fee to both the FSSA and the Office of the Fire Marshal; there are no fees for licensing. The state would experience a reduction in revenue as a result of this bill. The total reduction is dependent on the number of currently registered ministries that become licensed.

Explanation of State Expenditures: (Revised) This bill would require child care providers in order to receive CCDF vouchers to be licensed through the FSSA. The bill does not require licensing for all providers. Nonlicensed providers may continue to operate, however, they will no longer be eligible for CCDF vouchers. This bill applies to license-exempt home providers, child care ministries, and school-age child care programs that are currently not being licensed through another state regulatory authority.

Indiana currently licenses two types of child care providers: child care homes (with six or more children) and child care centers. Licensing includes an annual review of food, sanitation, health, program, fire, and safety factors. The number of providers licensed has steadily increased over the past three years.

Number of Providers Licensed and Total Expenditures:

State Fiscal Year	Number of Providers Licensed/Registered	Licensing/Registration Expenditures	Average Licensing/Registration Cost
2001	4,564	\$1,100,000	\$241.02
2002	4,698	\$1,917,539	\$408.16
2003	4,907	\$2,386,107	\$486.27

Current Licensing Costs: In FY 2003, FSSA spent approximately \$490 to license a child care provider. It is, however, important to note that this number also includes the cost to register child care ministries. Child care ministries are registered annually. The requirements for registration are less stringent than that of licensing. Licensing staff are responsible for registering child care ministries. As a result, the exact expenditures for FSSA for licensing are not known. Child care ministries, however, represented only 12% of the total number of providers licensed and registered in FY 2003. Thus, it is likely that the overall expenditures for registering are minimal in comparison with licensing.

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Background on CCDF: The CCDF was created as a part of the 1996 federal welfare reform law. It combined all previously federally funded programs for child care into one funding source. The CCDF is funded entirely by the federal government; no state match is required. In addition, states may transfer up to 30% of TANF funds to the CCDF.

Current CCDF Funding: Indiana allocated \$141.5 M in CCDF funding in FY 2003. An additional \$170.6 M was allocated for administrative duties in FFY 2003. A total of 10,147 providers received CCDF vouchers; 6,397 of these providers, or 63%, were not licensed. Of this 6,397, 2,710 were license-exempt providers and 245 were exempt centers, neither of which were certified or licensed. Currently, a waiting list exists with 4,700 children waiting for CCDF vouchers.

The federal government requires that the state use no less than 4% of the money appropriated to it for activities that are designed to provide comprehensive consumer education to parents and the public, activities to increase personal choice, and activities designed to improve the quality of child care and availability of child care. The latter items would include licensing of child care facilities. The FSSA reports that it will be able to use a portion of this money to fund licensing of CCDF providers. Thus, the state would experience no increase in expenditures when fulfilling the requirements of this bill.

Licensing Expenditures: The number of school-age facilities in the state is currently unknown. FSSA, however, reports that the majority of exempt centers are likely school-age programs. Assuming that the majority of the 2,953 (2,710 license-exempt providers and 243 exempt centers) providers would fall under the requirements of the bill, and multiplying this number by the \$490 the FSSA spends to license providers,

an annual increase of \$1.4 M in expenditures is estimated to license all license-exempt providers and exempt centers currently receiving CCDF vouchers. The additional 3,444 facilities receiving CCDF funding are either already licensed or certified. FSSA reports that money used towards this certification can be used for licensing instead.

The exact number of providers necessitating licensing is, however, unknown. The likelihood of all exempt centers being school-age programs is small. Furthermore, a portion of providers who are currently not licensed may choose not to go through the licensing process. Indiana expends all CCDF funding allocated by the federal government. Additionally, as was mentioned above, there is a large waiting list for CCDF vouchers. Thus, it is assumed that as CCDF vouchers become available, a result of providers choosing to not become licensed, providers of newly eligible children (from the waiting list) will opt to become licensed. The actual number of providers is indeterminable since the waiting list identifies children as opposed to providers. Any number of providers could decide to become licensed if children in their care become eligible for CCDF vouchers. The total increase in expenditures is dependent on the number of nonlicensed providers receiving CCDF vouchers that choose to become licensed.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA; Office of the State Fire Marshal.

Local Agencies Affected:

Information Sources: Keith Carver, FSSA, 233-9238; Andrew Johnson, FSSA; Angela Hoover, FSSA, 233-0890; Janet Deahl, FSSA, 232-3096; Bob Vogt, Region V, Administration for Children and Families, 312-886-4927; Federal Register, 45 CFR Parts 98 and 99, Child Care and Development Fund; Final Rule.

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